

106TH CONGRESS  
1ST SESSION

# H. R. 2350

To amend the Internal Revenue Code of 1986 to repeal taxes on American Values.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 24, 1999

Mr. SAM JOHNSON of Texas (for himself, Mr. MCINTOSH, Mr. DOOLITTLE, Mr. ISTOOK, Mr. BURTON of Indiana, Mr. HILLEARY, Mr. HOSTETTLER, Mrs. CHENOWETH, Mr. GRAHAM, Mr. BARTLETT of Maryland, Mr. TANCREDO, Mr. PITTS, Mr. DICKEY, Mr. JONES of North Carolina, Mr. SUNUNU, Mr. HANSEN, Mr. SOUDER, Mr. WELDON of Florida, Mr. CHABOT, Mrs. CUBIN, Mr. DEMINT, Mr. HERGER, Mr. MCINNIS, Mr. WATKINS, Mr. HULSHOF, Mr. HAYWORTH, Mr. DELAY, Mr. PAUL, Mr. MANZULLO, Mrs. MYRICK, Mr. SKEEN, Mr. BILIRAKIS, Mr. HEFLEY, Mr. ROHRABACHER, Mr. MILLER of Florida, Mr. THORNBERRY, Mr. BONILLA, Mr. COBURN, Mr. POMBO, Mr. ISAKSON, Mr. SESSIONS, Mr. PICKERING, Mr. RYUN of Kansas, Mr. GREEN of Wisconsin, Mr. RILEY, Mr. SHADEGG, Mr. RYAN of Wisconsin, Mr. DREIER, Mr. HOBSON, Mr. HYDE, Mr. SPENCE, and Mr. METCALF) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on the Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To amend the Internal Revenue Code of 1986 to repeal taxes on American Values.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE;**

2 **TABLE OF CONTENTS.**

3 (a) SHORT TITLE.—This Act may be cited as the  
4 “American Values Tax Savings Plan for the 21st Cen-  
5 tury”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-  
7 wise expressly provided, whenever in this Act an amend-  
8 ment or repeal is expressed in terms of an amendment  
9 to, or repeal of, a section or other provision, the reference  
10 shall be considered to be made to a section or other provi-  
11 sion of the Internal Revenue Code of 1986.

12 (c) TABLE OF CONTENTS.—

Sec. 1. Short title; amendment of 1986 Code; table of contents.

**TITLE I—MARRIAGE PENALTY RELIEF**

Sec. 101. Basic standard deduction for married individuals to be twice the de-  
duction for unmarried individuals.

Sec. 102. Elimination of marriage penalty in individual income tax rates.

**TITLE II—PHASEOUT OF ESTATE AND GIFT TAXES**

Sec. 201. Phaseout of estate and gift taxes.

**TITLE III—PHASEOUT OF ALTERNATIVE MINIMUM TAX FOR ALL  
TAXPAYERS**

Sec. 301. Phaseout of alternative minimum tax for all taxpayers.

**TITLE IV—REDUCTION IN INDIVIDUAL CAPITAL GAIN TAX RATES**

Sec. 401. Reduction in individual capital gain tax rates.

**TITLE V—INCREASED INCENTIVES FOR RETIREMENT SAVINGS**

Sec. 501. Increase in limitation on IRA contributions and indexing of limitation  
for inflation.

Sec. 502. Increase in income limitation applicable to conversions, etc. from tra-  
ditional IRA to Roth IRA.

**TITLE VI—INCENTIVES FOR HEALTH INSURANCE COVERAGE**

Sec. 601. 100 percent deduction for health insurance costs of self-employed in-  
dividuals.

Sec. 602. Carryover of unused benefits from cafeteria plans and flexible spending arrangements.

#### TITLE VII—INCENTIVES FOR EDUCATION

Sec. 701. Exclusion from gross income of education distributions from qualified State tuition programs.

#### TITLE VIII—REPEAL OF TELEPHONE EXCISE TAX

Sec. 801. Repeal of excise tax on telephone and other communications services.

Sec. 802. Sense of Congress to repeal Federal Communications Commission E-rate discount program for schools and libraries.

#### TITLE IX—EXTENSION OF EXPIRING PROVISIONS

Sec. 901. Research credit.

Sec. 902. Work opportunity credit.

Sec. 903. Subpart F exemption for active financing income.

#### TITLE X—PAY-GO REFORM

Sec. 1001. Special pay-as-you-go rule.

Sec. 1002. Additional reporting requirement.

## 1    **TITLE I—MARRIAGE PENALTY** 2                                    **RELIEF**

### 3    **SEC. 101. BASIC STANDARD DEDUCTION FOR MARRIED IN-** 4                                    **DIVIDUALS TO BE TWICE THE DEDUCTION** 5                                    **FOR UNMARRIED INDIVIDUALS.**

6            (a) IN GENERAL.—Paragraph (2) of section 63(c)  
7 (relating to standard deduction) is amended—

8                    (1) by striking “\$5,000” in subparagraph (A)  
9                    and inserting “twice the dollar amount in effect  
10                   under subparagraph (C) for the taxable year”,

11                   (2) by adding “or” at the end of subparagraph  
12                   (B),

13                   (3) by striking “in the case of” and all that fol-  
14                   lows in subparagraph (C) and inserting “in any  
15                   other case.”, and

1 (4) by striking subparagraph (D).

2 (b) TECHNICAL AMENDMENT.—Subparagraph (B) of  
 3 section 1(f)(6) is amended by striking “(other than with”  
 4 and all that follows through “shall be applied” and insert-  
 5 ing “(other than sections 63(c)(4) and 151(d)(4)(A)) shall  
 6 be applied”.

7 (c) EFFECTIVE DATE.—The amendments made by  
 8 this section shall apply to taxable years beginning after  
 9 December 31, 1999.

10 **SEC. 102. ELIMINATION OF MARRIAGE PENALTY IN INDI-**  
 11 **VIDUAL INCOME TAX RATES.**

12 (a) IN GENERAL.—Subsection (f) of section 1 (relat-  
 13 ing to tax imposed) is amended by adding at the end the  
 14 following new paragraph:

15 “(8) ELIMINATION OF MARRIAGE PENALTY.—In  
 16 prescribing the table under paragraph (1) which ap-  
 17 plies in lieu of the table contained in subsection (a)  
 18 with respect to taxable years beginning in a calendar  
 19 year after 2004, the minimum and maximum dollar  
 20 amounts for each rate bracket shall be twice the  
 21 minimum and maximum dollar amounts (respec-  
 22 tively) prescribed by the Secretary under this sub-  
 23 section for the comparable rate bracket under sub-  
 24 section (c) for such taxable years. The preceding

1 sentence shall apply in lieu of applying paragraph  
 2 (2)(A) to the table contained in subsection (a).”

3 (b) TECHNICAL AMENDMENTS.—

4 (1) Subparagraph (A) of section 1(f)(2) is  
 5 amended by inserting “except as provided in para-  
 6 graph (8),” before “by increasing”.

7 (2) The heading for subsection (f) of section 1  
 8 is amended by inserting “ELIMINATION OF MAR-  
 9 RIAGE PENALTY AFTER 2004;” before “ADJUST-  
 10 MENTS”.

11 (c) EFFECTIVE DATE.—The amendments made by  
 12 this section shall apply to taxable years beginning after  
 13 December 31, 2004.

## 14 **TITLE II—PHASEOUT OF ESTATE** 15 **AND GIFT TAXES**

### 16 **SEC. 201. PHASEOUT OF ESTATE AND GIFT TAXES.**

17 (a) REPEAL OF ESTATE AND GIFT TAXES.—Subtitle  
 18 B (relating to estate and gift taxes) is repealed effective  
 19 with respect to estates of decedents dying, and gifts made,  
 20 after December 31, 2009.

21 (b) PHASEOUT OF TAX.—Subsection (c) of section  
 22 2001 (relating to imposition and rate of tax) is amended  
 23 by adding at the end the following new paragraph:

“(3) PHASEOUT OF TAX.—In the case of estates of decedents dying, and gifts made, during any calendar year after 1999 and before 2010—

“(A) IN GENERAL.—The tentative tax under this subsection shall be determined by using a table prescribed by the Secretary (in lieu of using the table contained in paragraph (1)) which is the same as such table; except that—

“(i) each of the rates of tax shall be reduced (but not below zero) by the number of percentage points determined under subparagraph (B), and

“(ii) the amounts setting forth the tax shall be adjusted to the extent necessary to reflect the adjustments under clause (i).

“(B) PERCENTAGE POINTS OF REDUCTION.—

<b>“For calendar year:</b>	<b>The number of percentage points is:</b>
2000 .....	5
2001 .....	10
2002 .....	15
2003 .....	20
2004 .....	25
2005 .....	30
2006 .....	35
2007 .....	40
2008 .....	45
2009 .....	50.

“(C) COORDINATION WITH PARAGRAPH (2).—Paragraph (2) shall be applied by reduc-

1 ing the 55 percent percentage contained therein  
 2 by the number of percentage points determined  
 3 for such calendar year under subparagraph (B).

4 “(D) COORDINATION WITH CREDIT FOR  
 5 STATE DEATH TAXES.—Rules similar to the  
 6 rules of subparagraph (A) shall apply to the  
 7 table contained in section 2011(b) except that  
 8 the number of percentage points referred to in  
 9 subparagraph (A)(i) shall be determined under  
 10 the following table:

<b>“For calendar year:</b>	<b>The number of percentage points is:</b>
2000 .....	1½
2001 .....	3
2002 .....	4½
2003 .....	6
2004 .....	7½
2005 .....	9
2006 .....	10½
2007 .....	12
2008 .....	13½
2009 .....	15.”

11 (c) EFFECTIVE DATE.—The amendments made by  
 12 this section shall apply to estates of decedents dying, and  
 13 gifts made, after December 31, 1999.

14 **TITLE III—PHASEOUT OF ALTER-**  
 15 **NATIVE MINIMUM TAX FOR**  
 16 **ALL TAXPAYERS**

17 **SEC. 301. PHASEOUT OF ALTERNATIVE MINIMUM TAX FOR**  
 18 **ALL TAXPAYERS.**

19 (a) REPEAL IN 2004 FOR NONCORPORATE TAX-  
 20 PAYERS AND IN 2005 FOR CORPORATIONS.—Subsection

1 (a) of section 55 (relating to alternative minimum tax im-  
 2 posed) is amended to read as follows:

3 “(a) IMPOSITION OF TAX.—

4 “(1) IN GENERAL.—There is hereby imposed  
 5 (in addition to any other tax imposed by this sub-  
 6 title) a tax equal to the excess (if any) of—

7 “(A) the tentative minimum tax for the  
 8 taxable year, over

9 “(B) the regular tax for the taxable year.

10 “(2) TERMINATION.—No tax shall be imposed  
 11 by this section for any taxable year beginning after  
 12 December 31, 2003 (December 31, 2004, in the case  
 13 of a corporation), and the tentative minimum tax of  
 14 any taxpayer for any taxable year beginning after  
 15 December 31, 2003 (December 31, 2004, in the case  
 16 of a corporation) shall be zero for purposes of this  
 17 title.”

18 (b) PHASEOUT OF TAX ON NONCORPORATE TAX-  
 19 PAYERS.—

20 (1) IN GENERAL.—Paragraph (1) of section  
 21 55(d) (relating to exemption amounts) is amended—

22 (A) by striking “\$45,000” in subparagraph

23 (A) and inserting “the applicable amount”,



1 (B) by striking “\$33,750” in subpara-  
 2 graph (B) and inserting “ $\frac{3}{4}$  of the applicable  
 3 amount”, and

4 (C) by striking “\$22,500” in subparagraph  
 5 (C) and inserting “ $\frac{1}{2}$  of the applicable  
 6 amount”.

7 (2) APPLICABLE AMOUNT.—Subsection (d) of  
 8 section 55 is amended by adding at the end the fol-  
 9 lowing new paragraph:

10 “(4) APPLICABLE AMOUNT.—For purposes of  
 11 paragraph (1), the applicable amount shall be deter-  
 12 mined in accordance with the following table:

<b>“For taxable years beginning in calendar year—</b>	<b>The applicable amount is—</b>
2000 .....	\$70,000
2001 .....	95,000
2002 .....	120,500
2003 .....	145,000.”

13 (c) EFFECTIVE DATE.—The amendments made by  
 14 this section shall apply to taxable years beginning after  
 15 December 31, 1999.

## 16 **TITLE IV—REDUCTION IN INDIVIDUAL CAPITAL GAIN TAX** 17 **RATES**

### 19 **SEC. 401. REDUCTION IN INDIVIDUAL CAPITAL GAIN TAX** 20 **RATES.**

21 (a) IN GENERAL.—Subparagraph (C) of section  
 22 1(h)(1) (relating to maximum capital gains rate) is

1 amended by striking “20 percent” and inserting “15 per-  
2 cent (10 percent in the case of taxable years beginning  
3 after December 31, 2004)”.

4 (b) CONFORMING AMENDMENTS.—

5 (1) Paragraph (2) of section 1(h) is amended to  
6 read as follows:

7 “(2) 8 PERCENT RATE FOR QUALIFIED 5-YEAR  
8 GAIN OTHERWISE IN 15 PERCENT BRACKET.—In the  
9 case of any taxable year beginning after December  
10 31, 2000, the rate under paragraph (1)(B) shall be  
11 8 percent with respect to so much of the amount to  
12 which the 10-percent rate under paragraph (1)(B)  
13 would otherwise apply as does not exceed qualified  
14 5-year gain, and 10 percent with respect to the re-  
15 mainder of such amount.”

16 (2) Section 1(h) is amended by striking para-  
17 graph (13).

18 (3) Subparagraph (C) of section 55(a)(3) is  
19 amended by striking “20 percent” and inserting “15  
20 percent (10 percent in the case of taxable years be-  
21 ginning after December 31, 2004)”.

22 (4) Paragraph (1) of section 1445(e) is amend-  
23 ed by striking “20 percent” and inserting “15 per-  
24 cent (10 percent in the case of taxable years begin-  
25 ning after December 31, 2004)”.

1           (5) Subparagraph (A) of section 7518(g)(6)(A),  
 2           and section 607(h)(6)(A) of the Merchant Marine  
 3           Act, 1936, are each amended by striking “20 per-  
 4           cent” and inserting “15 percent (10 percent in the  
 5           case of taxable years beginning after December 31,  
 6           2004)”.

7           (6) Section 311 of the Taxpayer Relief Act of  
 8           1997 is amended by striking subsection (e).

9           (c) EFFECTIVE DATES.—

10           (1) IN GENERAL.—Except as provided in para-  
 11           graph (2), the amendments made by this section  
 12           shall apply to taxable years beginning after Decem-  
 13           ber 31, 1999.

14           (2) WITHHOLDING.—The amendment made by  
 15           subsection (b)(4) shall apply to amounts paid after  
 16           December 31, 1999.

17       **TITLE    V—INCREASED    INCEN-**  
 18       **TIVES FOR RETIREMENT SAV-**  
 19       **INGS**

20       **SEC. 501. INCREASE IN LIMITATION ON IRA CONTRIBU-**  
 21               **TIONS AND INDEXING OF LIMITATION FOR**  
 22               **INFLATION.**

23           (a) INCREASE IN MAXIMUM AMOUNT OF DEDUC-  
 24           TION.—Paragraph (1) of section 219(b) (relating to max-  
 25           imum amount of deduction) is amended to read as follows:

1 “(1) MAXIMUM AMOUNT.—

2 “(A) IN GENERAL.—The amount allowable  
3 as a deduction under subsection (a) to any indi-  
4 vidual for any taxable year shall not exceed the  
5 lesser of—

6 “(i) the applicable dollar limitation, or

7 “(ii) an amount equal to the com-  
8 pensation includible in the individual’s  
9 gross income for such taxable year.

10 “(B) APPLICABLE DOLLAR LIMITATION.—

11 For purposes of subparagraph (A), the applica-  
12 ble dollar limitation shall be determined in ac-  
13 cordance with the following table:

<b>“For taxable years beginning in calendar year—</b>	<b>The applicable dollar limitation is—</b>
2000 .....	\$2,500
2001 .....	3,000
2002 .....	3,500
2003 .....	4,000
2004 .....	4,500
2006 and thereafter .....	5,000.”

14 (b) INFLATION ADJUSTMENTS.—Subsection (f) of  
15 section 219 is amended by adding at the end the following  
16 new paragraph:

17 “(8) INFLATION ADJUSTMENT.—In the case of  
18 taxable years beginning in a calendar year after  
19 2006, the \$5,000 amount set forth in subsection  
20 (b)(1)(B) shall be increased by an amount equal  
21 to—

1 “(A) such dollar amount, multiplied by

2 “(B) the cost-of-living adjustment deter-  
3 mined under section 1(f)(3) for such calendar  
4 year by substituting ‘calendar year 2005’ for  
5 ‘calendar year 1992’ in subparagraph (B)  
6 thereof.

7 If any increase determined under the preceding sen-  
8 tence is not a multiple of \$100, such increase shall  
9 be rounded to the nearest multiple of \$100.”

10 (c) CONFORMING AMENDMENTS.—

11 (1) Section 408(a)(1) is amended by striking  
12 “in excess of \$2,000 on behalf of any individual”  
13 and inserting “on behalf of any individual in excess  
14 of the applicable dollar limitation in effect for such  
15 taxable year under section 219(b)(1)”.

16 (2) Section 408(b)(2)(B) is amended by strik-  
17 ing “\$2,000” and inserting “the applicable dollar  
18 limitation in effect under section 219(b)(1)”.

19 (3) Section 408(b) is amended by striking  
20 “\$2,000” in the matter following paragraph (4) and  
21 inserting “the applicable dollar limitation in effect  
22 under section 219(b)(1)”.

23 (4) Section 408(j) is amended by striking  
24 “\$2,000”.

1           (5) Section 408(p)(8) is amended by striking  
 2           “\$2,000” and inserting “the applicable dollar limita-  
 3           tion in effect under section 219(b)(1)”.

4           (d) EFFECTIVE DATE.—The amendments made by  
 5 this section shall apply to taxable years beginning after  
 6 December 31, 1999.

7   **SEC. 502. INCREASE IN INCOME LIMITATION APPLICABLE**  
 8                           **TO CONVERSIONS, ETC. FROM TRADITIONAL**  
 9                           **IRA TO ROTH IRA.**

10          (a) IN GENERAL.—Clause (i) of section  
 11 408A(c)(3)(B) (relating to rollover from IRA) is amended  
 12 by striking “\$100,000” and inserting “\$1,000,000”.

13          (b) EFFECTIVE DATE.—The amendment made by  
 14 this section shall apply to taxable years beginning after  
 15 December 31, 1999.

16           **TITLE VI—INCENTIVES FOR**  
 17           **HEALTH INSURANCE COVERAGE**

18   **SEC. 601. 100 PERCENT DEDUCTION FOR HEALTH INSUR-**  
 19                           **ANCE COSTS OF SELF-EMPLOYED INDIVID-**  
 20                           **UALS.**

21          (a) IN GENERAL.—Section 162(l)(1) (relating to spe-  
 22 cial rules for health insurance costs of self-employed indi-  
 23 viduals) is amended to read as follows:

24                   “(1) ALLOWANCE OF DEDUCTION.—In the case  
 25           of an individual who is an employee within the

1 meaning of section 401(c)(1), there shall be allowed  
 2 as a deduction under this section an amount equal  
 3 to the amount paid during the taxable year for in-  
 4 surance which constitutes medical care for the tax-  
 5 payer, the taxpayer's spouse, and dependents."

6 (b) CLARIFICATION OF LIMITATIONS ON OTHER COV-  
 7 ERAGE.—The first sentence of section 162(l)(2)(B) is  
 8 amended to read as follows: "Paragraph (1) shall not  
 9 apply to any taxpayer for any calendar month for which  
 10 the taxpayer participates in any subsidized health plan  
 11 maintained by any employer (other than an employer de-  
 12 scribed in section 401(c)(4)) of the taxpayer or the spouse  
 13 of the taxpayer."

14 (c) EFFECTIVE DATE.—The amendments made by  
 15 this section shall apply to taxable years beginning after  
 16 December 31, 1999.

17 **SEC. 602. CARRYOVER OF UNUSED BENEFITS FROM**  
 18 **CAFETERIA PLANS AND FLEXIBLE SPENDING**  
 19 **ARRANGEMENTS.**

20 (a) IN GENERAL.—Section 125 (relating to cafeteria  
 21 plans) is amended by redesignating subsections (h) and  
 22 (i) as subsections (i) and (j), respectively, and by inserting  
 23 after subsection (g) the following new subsection:

24 "(h) ALLOWANCE OF CARRYOVERS OF UNUSED BEN-  
 25 EFITS TO LATER TAXABLE YEARS.—

1 “(1) IN GENERAL.—For purposes of this title—

2 “(A) a plan or other arrangement shall not  
3 fail to be treated as a cafeteria plan or flexible  
4 spending or similar arrangement, and

5 “(B) no amount shall be required to be in-  
6 cluded in gross income by reason of this section  
7 or any other provision of this chapter,

8 solely because under such plan or other arrangement  
9 any nontaxable benefit which is unused as of the  
10 close of a taxable year may be carried forward to 1  
11 or more succeeding taxable years.

12 “(2) LIMITATION.—Paragraph (1) shall not  
13 apply to amounts carried from a plan to the extent  
14 such amounts exceed \$2,000 (applied on an annual  
15 basis). For purposes of this paragraph, all plans and  
16 arrangements maintained by an employer or any re-  
17 lated person shall be treated as 1 plan.

18 “(3) ALLOWANCE OF ROLLOVER.—

19 “(A) IN GENERAL.—Each flexible spending  
20 or similar arrangement which permits a carry-  
21 over under paragraph (1) of an amount of un-  
22 used benefit shall provide that each participant  
23 may elect, in lieu of a carryover of such  
24 amount, to have such amount distributed to the  
25 participant.



1           “(B) AMOUNTS NOT INCLUDED IN IN-  
2 COME.—Any distribution under subparagraph  
3 (A) shall not be included in gross income to the  
4 extent that such amount is transferred in a  
5 trustee-to-trustee transfer, or is contributed  
6 within 60 days of the date of the distribution,  
7 to—

8                   “(i) an individual retirement plan,

9                   “(ii) a qualified cash or deferred ar-  
10 rangement described in section 401(k),

11                   “(iii) a plan under which amounts are  
12 contributed by an individual’s employer for  
13 an annuity contract described in section  
14 403(b),

15                   “(iv) an eligible deferred compensa-  
16 tion plan described in section 457,

17                   “(v) a medical savings account (within  
18 the meaning of section 220), or

19                   “(vi) an education individual retire-  
20 ment account (within the meaning of sec-  
21 tion 530(b)).

22 Any amount rolled over under this subpara-  
23 graph shall be treated as a rollover contribution  
24 for the taxable year from which the unused  
25 amount would otherwise be carried.

1                   “(C) TREATMENT OF ROLLOVER.—Any  
2                   amount rolled over under subparagraph (B)—

3                   “(i) shall be treated as an eligible roll-  
4                   over under section 219, 220, 401(k),  
5                   403(b), 457, or 530, whichever is applica-  
6                   ble,

7                   “(ii) shall be taken into account in ap-  
8                   plying any limitation on contributions  
9                   under such section or any other provision  
10                  of this chapter for the taxable year of the  
11                  rollover, and

12                  “(iii) shall not be taken into account  
13                  in applying any participation requirement  
14                  on contributions under such section or  
15                  other provision for such taxable year.

16                  “(4) COST-OF-LIVING ADJUSTMENT.—In the  
17                  case of any taxable year beginning in a calendar  
18                  year after 1999, the \$2,000 amount under para-  
19                  graph (2) shall be adjusted at the same time and in  
20                  the same manner as under section 415(d)(2), except  
21                  that the base period taken into account shall be the  
22                  calendar quarter beginning October 1, 1999, and  
23                  any increase which is not a multiple of \$50 shall be  
24                  rounded to the next lowest multiple of \$50.”

1 (b) EFFECTIVE DATE.—The amendment made by  
 2 this section shall apply to taxable years beginning after  
 3 December 31, 1999.

4 **TITLE VII—INCENTIVES FOR**  
 5 **EDUCATION**

6 **SEC. 701. EXCLUSION FROM GROSS INCOME OF EDUCATION**  
 7 **DISTRIBUTIONS FROM QUALIFIED STATE**  
 8 **TUITION PROGRAMS.**

9 (a) IN GENERAL.—Section 529(c)(3)(B) (relating to  
 10 distributions) is amended to read as follows:

11 “(B) DISTRIBUTIONS FOR QUALIFIED  
 12 HIGHER EDUCATION EXPENSES.—

13 “(i) IN GENERAL.—No amount shall  
 14 be includible in gross income under sub-  
 15 paragraph (A) if the qualified higher edu-  
 16 cation expenses of the designated bene-  
 17 ficiary during the taxable year are not less  
 18 than the aggregate distributions during the  
 19 taxable year.

20 “(ii) DISTRIBUTIONS IN EXCESS OF  
 21 EXPENSES.—If such aggregate distribu-  
 22 tions exceed such expenses during the tax-  
 23 able year, the amount otherwise includible  
 24 in gross income under subparagraph (A)  
 25 shall be reduced by the amount which

bears the same ratio to the amount so includible (without regard to this subparagraph) as such expenses bear to such aggregate distributions.

“(iii) ELECTION TO WAIVE EXCLUSION.—A taxpayer may elect to waive the application of this subparagraph for any taxable year.

“(iv) IN-KIND DISTRIBUTIONS.—Any benefit furnished to a designated beneficiary under a qualified State tuition program shall be treated as a distribution to the beneficiary for purposes of this paragraph.

“(v) DISALLOWANCE OF EXCLUDED AMOUNTS AS CREDIT OR DEDUCTION.—No deduction or credit shall be allowed to the taxpayer under any other section of this chapter for any qualified higher education expenses to the extent taken into account in determining the amount of the exclusion under this paragraph.”.

(b) COORDINATION WITH EDUCATION CREDITS.—

Section 25A(e)(2) (relating to coordination with exclusions) is amended—

1           (1) by inserting “a qualified State tuition pro-  
2           gram or” before “an education individual retirement  
3           account”; and

4           (2) by striking “section 530(d)(2)” and insert-  
5           ing “section 529(c)(3)(B) or 530(d)(2)”.

6           (c) ELIGIBLE EDUCATIONAL INSTITUTIONS PER-  
7           MITTED TO MAINTAIN QUALIFIED TUITION PROGRAMS.—

8           (1) IN GENERAL.—Section 529(b)(1) (defining  
9           qualified State tuition program) is amended by in-  
10          serting “or by one or more eligible educational insti-  
11          tutions” after “maintained by a State or agency or  
12          instrumentality thereof”.

13          (2) PRIVATE QUALIFIED TUITION PROGRAMS  
14          LIMITED TO PREPAID PLANS.—Section 529(b)(1) is  
15          amended by adding at the end the following flush  
16          sentence:

17          “Clause (ii) of subparagraph (A) shall only apply to  
18          a program established and maintained by a State or  
19          any agency or instrumentality thereof.”.

20          (3) TAX ON EXCESS CONTRIBUTIONS.—

21                 (A) IN GENERAL.—Section 4973(a) (relat-  
22                 ing to tax imposed) is amended by striking “or”  
23                 at the end of paragraph (3), inserting “or” at  
24                 the end of paragraph (4), and inserting after  
25                 paragraph (4) the following new paragraph:

1 “(5) a private qualified tuition program (as de-  
 2 fined in subsection (g)),”.

3 (B) EXCESS CONTRIBUTIONS DEFINED.—

4 Section 4973 is amended by adding at the end  
 5 the following new subsection:

6 “(g) EXCESS CONTRIBUTIONS TO PRIVATE QUALI-  
 7 FIED TUITION PROGRAM.—For purposes of this section—

8 “(1) IN GENERAL.—In the case of private  
 9 qualified tuition programs, the term ‘excess con-  
 10 tributions’ means, with respect to any one bene-  
 11 ficiary, the amount contributed to a private qualified  
 12 tuition program for any taxable year if any amount  
 13 is contributed during such year for the benefit of  
 14 such beneficiary to a qualified tuition program (as  
 15 defined in section 529) other than a private qualified  
 16 tuition program.

17 “(2) PRIVATE QUALIFIED TUITION PROGRAM.—

18 The term ‘private qualified tuition program’ means  
 19 a qualified tuition program (as defined in section  
 20 529) not established and maintained by a State or  
 21 any agency or instrumentality thereof.”.

22 (4) TECHNICAL AMENDMENTS.—

23 (A) The text of sections 25A(e)(2),  
 24 72(e)(9), 529, 530(b)(2)(B), and  
 25 4973(e)(1)(B), as previously amended by this

1 Act, are each amended by striking “qualified  
 2 State tuition program” each place it appears  
 3 and inserting “qualified tuition program”.

4 (B)(i) The heading of section 529 is  
 5 amended to read as follows:

6 **“SEC. 529. QUALIFIED TUITION PROGRAMS.”.**

7 (ii) The item relating to section 529 in the  
 8 table of sections for part VIII of subchapter F  
 9 of chapter 1 is amended by striking “State”.

10 (d) EFFECTIVE DATE.—The amendments made by  
 11 this section shall apply to taxable years beginning after  
 12 December 31, 1999.

13 **TITLE VIII—REPEAL OF**  
 14 **TELEPHONE EXCISE TAX**

15 **SEC. 801. REPEAL OF EXCISE TAX ON TELEPHONE AND**  
 16 **OTHER COMMUNICATIONS SERVICES.**

17 (a) IN GENERAL.—Paragraph (2) of section 4251(b)  
 18 is amended to read as follows:

<b>“For bills first rendered during calendar year—</b>	<b>The applicable percentage is—</b>
2000 .....	2.4
2001 .....	1.8
2002 .....	1.2
2003 .....	0.6
2004 and thereafter .....	0.0.”

19 (b) EFFECTIVE DATE.—The amendment made by  
 20 this section shall apply to amounts paid pursuant to bills  
 21 first rendered after December 31, 1999.

1 **SEC. 802. SENSE OF CONGRESS TO REPEAL FEDERAL COM-**  
 2 **MUNICATIONS COMMISSION E-RATE DIS-**  
 3 **COUNT PROGRAM FOR SCHOOLS AND LI-**  
 4 **BRARIES.**

5 It is the sense of the Congress that the Federal Com-  
 6 munications Commission E-rate discount program for  
 7 schools and libraries should be terminated.

8 **TITLE IX—EXTENSION OF**  
 9 **EXPIRING PROVISIONS**

10 **SEC. 901. RESEARCH CREDIT.**

11 (a) EXTENSION.—

12 (1) IN GENERAL.—Paragraph (1) of section  
 13 41(h) (relating to termination) is amended—

14 (A) by striking “June 30, 1999” and in-  
 15 serting “June 30, 2004”;

16 (B) by striking “36-month” and inserting  
 17 “96-month”; and

18 (C) by striking “36 months” and inserting  
 19 “96 months”.

20 (2) TECHNICAL AMENDMENT.—Subparagraph  
 21 (D) of section 45C(b)(1) is amended by striking  
 22 “June 30, 1999” and inserting “June 30, 2004”.

23 (3) EFFECTIVE DATE.—The amendments made  
 24 by this subsection shall apply to amounts paid or in-  
 25 curred after June 30, 1999.



1 (b) INCREASE IN PERCENTAGES UNDER ALTER-  
2 NATIVE INCREMENTAL CREDIT.—

3 (1) IN GENERAL.—Subparagraph (A) of section  
4 41(c)(4) is amended—

5 (A) by striking “1.65 percent” and insert-  
6 ing “2.65 percent”,

7 (B) by striking “2.2 percent” and inserting  
8 “3.2 percent”, and

9 (C) by striking “2.75 percent” and insert-  
10 ing “3.75 percent”.

11 (2) EFFECTIVE DATE.—The amendments made  
12 by this subsection shall apply to taxable years begin-  
13 ning after June 30, 1999.

14 **SEC. 902. WORK OPPORTUNITY CREDIT.**

15 (a) TEMPORARY EXTENSION.—Subparagraph (B) of  
16 section 51(c)(4) (relating to termination) is amended by  
17 striking “June 30, 1999” and inserting “June 30, 2000”.

18 (b) CERTAIN BENEFITS TREATED AS WAGES ELIGI-  
19 BLE FOR CREDIT.—Subsection (c) of section 51 is amend-  
20 ed by redesignating paragraphs (3) and (4) as paragraphs  
21 (4) and (5), respectively, and by inserting after paragraph  
22 (2) the following new paragraph:

23 “(3) CERTAIN AMOUNTS TREATED AS WAGES.—

24 The term ‘wages’ includes amounts paid or incurred

1 by the employer which are excludable from the em-  
 2 ployee's gross income under—

3 “(A) section 105 (relating to amounts re-  
 4 ceived under accident and health plans),

5 “(B) section 106 (relating to contributions  
 6 by employer to accident and health plans),

7 “(C) section 127 (relating to educational  
 8 assistance programs) or would be so excludable  
 9 but for section 127(d), but only to the extent  
 10 paid or incurred to a person not related to the  
 11 employer, or

12 “(D) section 129 (relating to dependent  
 13 care assistance programs).

14 The amount treated as wages by subparagraph (A)  
 15 or (B) for any period shall be based on the reason-  
 16 able cost of coverage for the period, but shall not ex-  
 17 ceed the applicable premium for the period under  
 18 section 4980B(f)(4).”

19 (c) CONSOLIDATION OF WELFARE-TO-WORK TAX  
 20 CREDIT AND WORK OPPORTUNITY TAX CREDIT.—

21 (1) IN GENERAL.—Paragraph (1) of section  
 22 51(d) is amended by striking “or” at the end of sub-  
 23 paragraph (G), by striking the period at the end of  
 24 subparagraph (H) and inserting “, or”, and by add-  
 25 ing at the end the following new subparagraph:

1           “(I) a long-term family assistance recipi-  
2           ent.”

3           (2) DEFINITION.—Subsection (d) of section 51  
4           is amended by redesignating paragraphs (10), (11),  
5           and (12) as paragraphs (11), (12), and (13), respec-  
6           tively, and by inserting after paragraph (9) the fol-  
7           lowing new paragraph:

8           “(10) LONG-TERM FAMILY ASSISTANCE RECIPI-  
9           ENT.—

10           “(A) IN GENERAL.—The term ‘long-term  
11           family assistance recipient’ means any indi-  
12           vidual who is certified by the designated local  
13           agency—

14           “(i) as being a member of a family re-  
15           ceiving assistance under a IV–A program  
16           for at least the 18-month period ending on  
17           the hiring date,

18           “(ii)(I) as being a member of a family  
19           receiving such assistance for at least 18  
20           months beginning after August 5, 1997,  
21           and

22           “(II) as having a hiring date which is  
23           not more than 2 years after the end of the  
24           18th month beginning after August 5,

1 1997, that the individual is a member of a  
2 family receiving such assistance, or

3 “(iii)(I) as being a member of a fam-  
4 ily which ceased to be eligible after August  
5 5, 1997, for such assistance by reason of  
6 any limitation imposed by Federal or State  
7 law on the maximum period such assist-  
8 ance is payable to a family, and

9 “(II) as having a hiring date which is  
10 not more than 2 years after the date of  
11 such cessation.

12 “(B) SPECIAL RULES FOR DETERMINING  
13 AMOUNT OF CREDIT.—For purposes of applying  
14 this subpart to wages paid or incurred to any  
15 long-term family assistance recipient—

16 “(i) the credit determined under this  
17 section shall include 40 percent of the  
18 qualified second-year wages for the taxable  
19 year,

20 “(ii) notwithstanding subsection  
21 (b)(3), the amount of the qualified first-  
22 year wages, and the amount of qualified  
23 second-year wages, which may be taken  
24 into account with respect to any individual  
25 shall not exceed \$10,000 per year, and

1 “(iii) paragraph (1) of subsection (h)  
 2 shall be applied by substituting ‘\$10,000’  
 3 for ‘\$6,000’ in subparagraph (A) and  
 4 ‘\$833.33’ for ‘\$500’ in subparagraph (B).

5 “(C) QUALIFIED SECOND-YEAR WAGES.—  
 6 For purposes of subparagraph (B), the term  
 7 ‘qualified second-year wages’ means, with re-  
 8 spect to any individual, qualified wages attrib-  
 9 utable to service rendered during the 1-year pe-  
 10 riod beginning on the day after the last day of  
 11 the 1-year period with respect to such indi-  
 12 vidual determined under subsection (b)(2).”

13 (3) REPEAL OF SEPARATE WELFARE-TO-WORK  
 14 CREDIT.—

15 (A) Section 51A is hereby repealed.

16 (B) The table of sections for subpart E of  
 17 part IV of subchapter A of chapter 1 is amend-  
 18 ed by striking the item relating to section 51A.

19 (d) CLARIFICATION OF FIRST YEAR OF EMPLOY-  
 20 MENT.—Paragraph (2) of section 51(i) is amended by  
 21 striking “during which he was not a member of a targeted  
 22 group”.

23 (e) TECHNICAL CORRECTION.—Subparagraph (B) of  
 24 section 51(d)(2) is amended—

1           (1) by striking “plan approved” and inserting  
2           “program funded”, and

3           (2) by striking “(relating to assistance for  
4           needy families with minor children)”.

5           (f) EFFECTIVE DATE.—

6           (1) IN GENERAL.—Except as otherwise pro-  
7           vided in this subsection, the amendments made by  
8           this section shall apply to individuals who begin  
9           work for the employer after June 30, 1999.

10          (2) CLARIFICATION.—The amendment made by  
11          subsection (d) shall apply to individuals who begin  
12          work for the employer after June 30, 1999.

13          (3) TECHNICAL CORRECTION.—The amendment  
14          made by subsection (e) shall take effect as if in-  
15          cluded in the amendments made by section 1201 of  
16          the Small Business Job Protection Act of 1996.

17   **SEC. 903. SUBPART F EXEMPTION FOR ACTIVE FINANCING**  
18                           **INCOME.**

19          (a) IN GENERAL.—Sections 953(e)(10) and  
20          954(h)(9) are each amended by striking “January 1,  
21          2000” and inserting “January 1, 2001”.

22          (b) EFFECTIVE DATE.—The amendment made by  
23          this section shall apply to taxable years beginning after  
24          December 31, 1999.

# 1       **TITLE X—PAY-GO REFORM**

## 2   **SEC. 1001. SPECIAL PAY-AS-YOU-GO RULE.**

3       Section 252 of the Balanced Budget and Emergency  
4   Deficit Control Act of 1985 is amended by adding at the  
5   end the following new subsections:

6       “(f) SPECIAL RULE ON INTERRELATIONSHIP BE-  
7   TWEEN SECTIONS 251(c) and 252.—If legislation is en-  
8   acted that—

9               “(1) reduces receipts; and

10              “(2) decreases the discretionary spending limits  
11       for budget authority and outlays for the fiscal years  
12       set forth in section 251(c) of the Balanced Budget  
13       and Emergency Deficit Control Act of 1985 for  
14       which there is such a reduction in receipts;  
15   then, for purposes of subsection (b), an amount equal to  
16   that decrease in the discretionary spending limit for out-  
17   lays shall be treated as direct spending legislation decreas-  
18   ing the deficit for that fiscal year.

19       “(g) SPECIAL RULE FOR TREATMENT OF BUDGET  
20   SURPLUSES.—For purposes of subsection (b), the amount,  
21   if any, designated by OMB in the pay-as-you-go sequestra-  
22   tion preview report as the projected budget surplus for the  
23   current year shall be treated for purposes of offsetting any  
24   receipts legislation as direct spending legislation decreas-  
25   ing the deficit for that fiscal year.”.

1 **SEC. 1002. ADDITIONAL REPORTING REQUIREMENT.**

2       Section 254(c)(3) of the Balanced Budget and Emer-  
3 gency Deficit Control Act of 1985 is amended by adding  
4 at the end the following new subparagraph:

5               “(D) The projected budget surplus, if  
6               any.”.

○